Washington State Employment Security Department

Labor Market and Economic Analysis

LMEA

February 2013

Southwest Washington
Labor Market News

Volume 2013, Number 2

Scott Bailey, Regional Economist
5411E. Mill Plain Boulevard, Suite 15, Vancouver WA 98661-7046
Voice: (360) 735-4995
scott.bailey@esd.wa.gov, https://fortress.wa.gov/esd/employmentdata

Monthly Review

"We'll tramp through the mire when our souls feel dead…" Patty Smith (66 years old!), *"April Fool"*, live at the Crystal Ballroom last month

February 2013 Unemployment Rates	Feb. 2013	Jan. 2012	Feb. 2012
Seasonally Adjusted:			
U.S.	7.7	7.9	8.3
U.S. U-6	14.3	14.4	15.0
Washington	7.5	7.5	8.4
Oregon	8.4	8.4	8.9
Portland Metro	7.9	7.9	8.2
Unadjusted:			
U.S.	8.1	8.5	8.7
Washington	8.2	8.5	9.3
Oregon	9.2	9.4	8.8
Clark	9.6*	11.4	11.2
Cowlitz	12.0	11.9	12.2
Wahkiakum	12.5	13.2	13.4
Portland Metro	8.3	8.7	9.0
*See text. Data will likely be revised upward.			

State of the Nation

GDP and the four horses of the Apocalypse: The latest estimates show that gross domestic product didn't change in the fourth quarter of 2012. However, it appears to be off to a good start in 2013, with the housing market picking up and retail sales surprisingly strong considering that take-home pay dropped by 2 percent following the end of the temporary cut in the Social Security payroll tax.

Of the other big four indicators, two continue to trend steadily upward: industrial production and manufacturing, wholesale and retail sales. Another, personal income (excluding transfer payments like Social Security) was impossible to read because it spiked in December from people moving income from 2013 to 2012 in order to avoid higher tax rates. The fourth indicator, nonfarm employment, had a good but not great initial estimate at +236,000 jobs in February.

Will housing carry the day? Bill McBride, one of the smartest people blogging on the web, thinks so. McBride, along with many other housing analysts, is quite bullish on housing these days. He believes new home construction is the best leading indicator, and that bodes well for the U.S. economy over the next few years. McBride notes:

> Even after increasing 28% in 2012, the 780 thousand housing starts this year were the fourth lowest on an annual basis since the Census Bureau started tracking starts in 1959 (the three lowest years were 2009 through 2011). This was also the fourth lowest year for single family starts since 1959. Starts averaged 1.5 million per year from 1959 through 2000. Demographics and household formation suggests starts will return to close to that level over the next few years. **That means starts will come close to doubling from the 2012 level**. [emphasis McBride's]

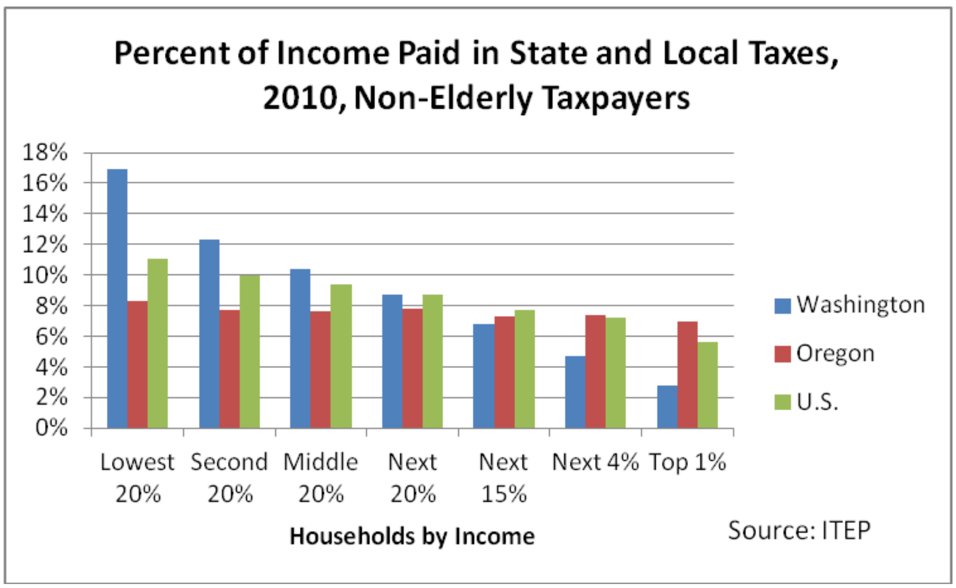
On the other hand, Wolfgang Richter points out that billions of private equity dollars have flowed into the housing market:

> Blackstone Group LP, the world's largest private equity firm, plowed over $3.5 billion into the housing market, according to Bloomberg, to gobble up 20,000 vacant and foreclosed single-family homes. It just fattened up a credit line to $2.1 billion to do more of the same. Colony Capital LLC, which already owns 7,000, is putting $2.2 billion to work.

> Last year, institutional investors made up 19% of all sales in Las Vegas, 21% in Charlotte, 23% in Phoenix, and 30% in Miami. It had an impact. In the latest [Case-Shiller]() report—a three-month moving average for October, November, and December—home values soared 9.9% in Atlanta, a bigger jump than *even during the peak of the housing bubble*. Las Vegas popped 12.9%, and Phoenix 23%. It's getting hotter. In February, compared to prior year, asking prices jumped 14% in Atlanta, 18% in Las Vegas, and 25% Phoenix. Seen from another point of view: in January, the median price of a single-family home in Phoenix skyrocketed 35%. [emphasis Richter's]

These speculators are betting that home prices will rise, and they can make a killing at some point in the future. In the meantime, they have put these homes up for rent, which, along with the increase in apartment construction, has led to flat or decreasing rents. Falling rents means that speculators will have lower returns on their investment in the short term and that fewer renters will have the incentive to buy a home. We may end up with some disappointed speculators and some bubble-like dynamics in some housing markets.

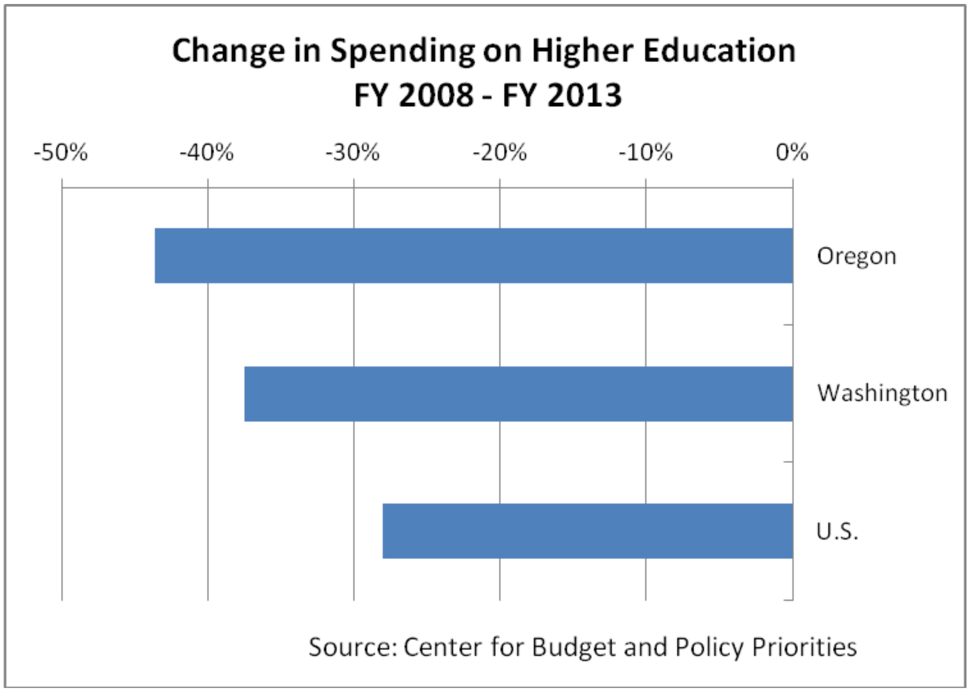
Deep in the heart of Taxes: Tax day is approaching! And just in time, the Institute on Taxation and Economic Policy (ITEP) has updated its study of state tax systems ("Who Pays?"). In its previous edition, ITEP found that Washington had the most regressive tax system in the country. Some definitions: a flat tax is one in which people pay the same percentage of their income in taxes. For example, if taxes were flat and the average tax rate were 10 percent, a low-income household with $25,000 in income would pay about $2,500 in taxes, while a high-income household with $500,000 in income would pay about $50,000 in taxes. If a tax system is progressive, then upper-income households would pay a higher percentage of their income in taxes. Under a regressive tax system, lower-income households would pay a higher percentage of income (not necessarily a higher amount) in taxes compared with upper-income households. The last ITEP study found that low-income Washington households paid a much higher percentage of their income in state and local taxes than upper-income households.



So, what did the update find? Would Washington keep its crown as the most regressive state? The envelope please… and the Oscar™ again goes to Washington! The bottom 20 percent of households, with less than $20,000 in income, paid 16.9 percent of their income in state and local taxes, compared with 10.4 percent for the middle 20 percent ($38,000 to $60,000). The top 1 percent ($430,000 or more) paid 2.8 percent of their income in state and local taxes. As the chart on the next page shows, Oregon's system is flat, the national average is mildly regressive, and Washington's is highly regressive.

Deep in the hole with infrastructure: Infrastructure (roads, airports, waterways, rail, bridges, energy, drinking water, sewers, school buildings and other public facilities, etc.) is one of the basic building blocks of our economy. The American Society of Civil Engineers has updated their report card on the state of infrastructure in the U.S. and the states. The nation received a "D+" grade (a slight improvement over the "D" from four years ago), with an estimated $3.6 trillion needed to be spent over the next seven years to bring our systems up to snuff. Using current projections, we will spend only about $2 trillion over that time period. Oregon received a "C-", while Washington's report has not yet been released.

Deep in the hole, part 36: Like infrastructure, higher education is key to our economic future. So here's another reason to thank our financial wizards for their selfless service—here's an abridged version of a chart from the Center on Budget and Policy Priorities:



State of the States—and PDX

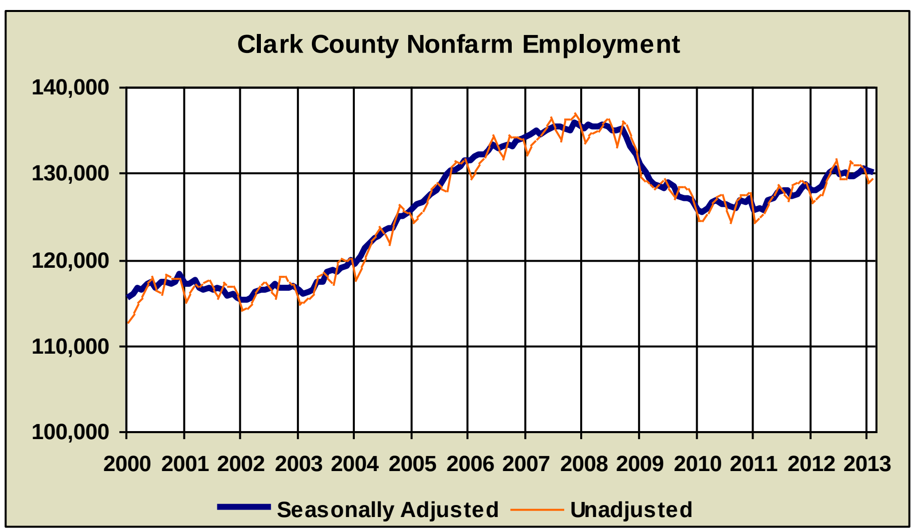
Washington's unemployment rate was 7.5 percent in February, the same as January, and almost a point better than the 8.4 percent from a year earlier. Nonfarm payrolls were up a modest 4,000, following January's gain of 24,200 (watch for a sharp downward revision in this number when January is benchmarked in June). With the jump in January, employment growth was officially pegged at 2.5 percent. Oregon started the year off right: +5,400 jobs in January, followed by an even better +6,800 in February; for context, that translates into about a 4 percent annualized growth rate. Portland had a good month, adding 2,500 jobs. Over the year growth was 1.1 percent, but will likely be revised up closer to 2 percent in coming months.

Regional Roundup

Clark County is doing better, Cowlitz is not, and Wahkiakum is still mired in a deep hole.

Clark County

Clark County's labor market showed little change outside of normal seasonal trends in February. Over the past twelve months, employment has grown by 2.0 percent, faster than the nation (1.5 percent). Job counts were still more than 4 percent below the February 2008 pre-recession peak. At the current growth rate, employment will match that level in the second half of 2015.



Unadjusted nonfarm employment was estimated at 129,500, a gain of 600 jobs over January. Professional & business services rose by 300 jobs—100 each in professional services, corporate offices, and business services. Public K-12 schools increased payrolls by 300 jobs.

Of the 2,500 net new jobs added over the year, 900 were in professional & business services, 500 were in retail trade, and 300 in each of construction & mining, leisure & hospitality, and government. Health care & social assistance has dropped by 300 jobs, 100 in health care and 300 in social assistance programs.

The county unemployment rate seems to be back in a familiar pattern. January's preliminary rate of 9.9 percent was revised upward to 11.4 percent. February's preliminary estimate of 9.6 percent will likely be revised upward to 11 percent.

Seasonally-adjusted initial unemployment claims dropped steeply (-9 percent) in February, to the lowest level since March 2007. There was little change in the number of regular claims, which remained at elevated levels. Another 1,800 workers who were unable to find work after six months of regular benefits received Emergency Unemployment Compensation.

Cowlitz County

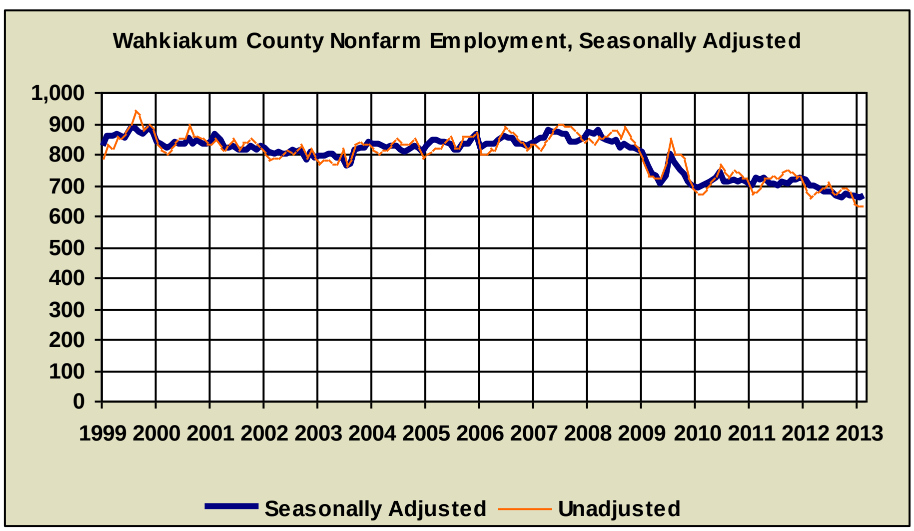
The Cowlitz labor market took a step backward in February. Seasonally-adjusted nonfarm employment fell by 300 jobs over the month. Unadjusted employment was little changed, declining by 100 jobs to an even 35,000 jobs.

Over the year, the county has lost 100 jobs, despite gains in construction employment. The closure of Sears in January and the casino in Woodland in December have not helped matters. In the two years since employment bottomed out, the county has added fewer than 300 jobs. Three industries account for the bulk of the net new jobs: staffing services, restaurants, and other nondurable goods (including food processing, plastics, chemicals, and commercial printing).

The unemployment rate, at 12.0 percent, was little different from last month or last February. Some 5,120 county residents are officially jobless. Worse, the county labor force participation rate was only about 53 percent—10 points below the national rate. Put differently, about 8,000 adults that were sitting on the sidelines would have to jump into the labor market and start looking for work in order for the county to match the (pathetically low) national labor force participation rate.

Initial unemployment claims continued to dribble downward, and reached their lowest level in over 15 years on a seasonally-adjusted basis. Continued claims were little changed over the month and continued to be at higher than normal levels. In addition, 624 workers received Emergency Unemployment Compensation.

Wahkiakum County



Wahkiakum's labor market was little changed over the month. Nonfarm employment remained at 630 jobs, 30 below last February.

Unemployment remained high at 12.5 percent. The number of unemployed county residents was estimated at 190.

Initial unemployment claims were at low levels, while continued claims, after rising last summer with the closing of the Columbia Care Center, have fallen back to normal. Also, 21 county residents received Emergency Unemployment Compensation.